


# Ballot question raising minimum wage to \$15 will affect more than Portland

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Members of Portland's Green Independent Committee watched officials struggle with a plan to raise the city's minimum wage this year and concluded it had a basic flaw: It was far too timid.

With other cities around the country – Seattle, San Francisco and Los Angeles among them – raising the minimum hourly pay to \$15, Portland was settling too low by backing \$10.10 an hour, said Mako Bates, one of the Green activists who believes that basic fairness requires a more dramatic increase.

But the Greens' proposal for a \$15-an-hour minimum wage, which will be on the ballot Nov. 3, would essentially double the statewide minimum wage and dramatically hike the City Council-adopted minimum that will take effect in January. It has touched off strong opposition from the business community and stoked fears that businesses could slow hiring or lay off workers, relocate outside of Portland or even fold up altogether. It also presents a complicated set of legal and enforcement issues that bewilder and alarm employers, from small retailers to large nonprofits.

Backers, on the other hand, say businesses need to be forced to increase pay for a range of reasons, including income inequality, the high cost of living in Portland and a minimum wage that has remained stuck, since 2009, at \$7.50 an hour in Maine.

The opponents are making the most noise in the campaign so far, rallying around a slogan that says the increase would be "Too Far, Too Fast."

Chris Hall, chief executive officer of the Portland Regional Chamber of Commerce, said there's a big difference between the economies and wage scales in Portland and \$15-an-hour cities such as Seattle and San Francisco, where the business communities have larger and faster-growing high-tech firms. According to the federal Bureau of Labor Statistics, the metro area of Seattle has a mean annual wage of \$59,130 and San Francisco has \$64,990 compared with Portland's \$42,140.

Portland has smaller companies and the economy remains fragile, even six years after the recession, Hall said.

"In Portland, you're really pushing the envelope when you get to \$15," Hall said. "People are really worried that they may not be able to continue their businesses."

## **WORRIES OVER ATTRACTING WORKERS**

Bates said he's heard that argument before and attributes some of it to hyperbole and some to business owners not understanding that wages would increase gradually to \$15. For small businesses, the full \$15 wouldn't go into effect until July 1, 2019. For bigger businesses, which are defined as companies that employ more than 500 workers nationally, minimum hourly wages would rise to \$12 next July 1 and then to \$15 on July 1, 2017.

"We wanted it to be something that would actually work for people living in the city," Bates said, while the

phase-in schedule is intended to reduce the shock on businesses.

Lower-wage workers “work in a city and they can’t afford to live there,” Bates said, a situation that he said isn’t helped by either the current state minimum wage of \$7.50 an hour or the \$10.10 minimum in Portland that will kick in on Jan. 1. According to the online realty company Zillow, rents in the city rose 17 percent from May 2014 to May of this year.

Bates reasons that if the federal minimum had risen at the rate of inflation since the last time it was increased more than six years ago, it likely would be more than \$11 an hour – although according to the Bureau of Labor Statistics, inflation has been so low since 2009 that the amount would be \$8.33 an hour, adjusted for increases in the consumer price index.

If you factored in increases in worker productivity, Bates argued, the minimum should be more than \$20 an hour.

Opponents, however, say that the city’s businesses will be put in a difficult position if they have to pay workers double what their competitors are paying people doing the same job in a neighboring town.

For Ellis Baum, it would make attracting workers far more difficult. Baum is the regional director for Residential Resources, which runs group homes for developmentally disabled adults. The company operates a group home in Portland and serves two clients in another Portland home. He said the company has a staff of about 120 in the homes it operates in Maine, providing a range of services from preparing meals to helping with dressing and hygiene. In all, the company serves about 35 clients in group homes, he said, and another 20 or so who are in foster homes.

Baum said a tightening labor market already makes it difficult for the company to attract employees even though it pays about \$10 per hour – well over the current minimum wage of \$7.50. It’s not unusual for workers to leave for a 25-cent-an-hour increase, he said. If \$15 per hour becomes the new minimum wage in Portland – a 50 percent increase over what he pays now – he fears he won’t be able to keep workers in Portland who will go to less-demanding jobs.

“I don’t know where I would get staff,” Baum said. “Someone could work at McDonald’s or Starbucks, with a very low responsibility position and make more than what I’m offering now.”

In general, the company is reimbursed at about \$16 an hour by the state, so an increase in workers’ pay to \$15 a hour in its Portland operations would eliminate almost all the company money for overhead, administration and profits.

Even with wages at about \$10 an hour, Baum said, the company had losses in July and August because of training costs for the new workers it brought on because of high turnover.

With the added costs in wages, Baum said, the company would have to consider dropping its Portland clients and would likely face the need to pay its workers more for other positions in Maine. The company pays 80 percent of its workers’ health insurance costs and that could be imperiled if pay rates have to be boosted, he said.

## **BANGING THE POLITICAL DRUMS**

The campaign itself is shaping up as a bit of a mismatch, at least in terms of spending. Hall, whose chamber is helping to spearhead the “Too Far, Too Fast” opposition to the proposal, said he expects the group will need to spend about \$100,000. In the group’s initial finance report, filed with the city Oct. 1, the political action committee had raised \$3,150 and spent \$11,750 for legal costs and website design.

By way of comparison, the two main groups involved in a Portland referendum last June to block the sale of Congress Square plaza to an adjacent hotel spent nearly \$70,000 combined.

Bates said there's no way proponents could raise anywhere near as much as the opponents plan to for the referendum campaign.

He said the supporters' biggest expenditure is likely to be yard signs, and backers will also mobilize teams to go door to door explaining the need for a higher minimum wage.

The Maine People's Alliance – which is gathering signatures for a 2016 ballot initiative to raise the statewide minimum wage to \$12 – conducted a poll in late summer that indicated 48.2 percent of Portland voters backed the increase and 39.7 percent opposed it. The other 12.1 percent hadn't decided.

Not surprisingly, however, business owners were opposed in a survey conducted in late September by Portland Buy Local. The survey of 100 local business owners found 63 oppose the \$15-an-hour referendum, but 66 back the council's new minimum wage.

The survey also found that the majority of the businesses – 56 – pay their workers between \$9 an hour and \$14.99 an hour.

Kirk Dyson, who works at the Nickelodeon Theater in downtown Portland and also at the Portland Radio Group, said he makes less than \$15 an hour at both jobs.

But even though it would mean a raise, he's not sure a hike in the minimum wage to \$15 is a good idea.

"I feel like \$15 is a little high, to be honest," he said, although he added, "I feel that in places like New York, that makes sense."

Dyson said he worries that if the minimum is increased to \$15, employers will stop hiring. But he said the \$10.10 wage the council has adopted is more palatable and probably wouldn't hurt employment prospects.

Travis Horner, a hair-cutting specialist at J. Henry Salon on Free Street, said his employer has already started cutting hours to prepare for the minimum wage hike coming in January. Horner said he worries that more reductions would follow if the referendum passes.

New hires at the salon are paid minimum wage for a year while they learn the craft, Horner said, but then switch to commission-based compensation. If those who are on commission don't make enough to match the minimum wage, the salon has to make up the difference, he said.

Horner said the salon is relatively new and "on the profitable/non-profitable line" and he worries that higher labor costs could make it difficult for the salon to survive.

## **LEGAL KNOTS, AND LIKELY CHALLENGES**

If the ballot measure is approved, some wrinkles in the new law would have to be ironed out before it goes into effect a month after Election Day. And there are likely to be legal challenges.

For instance, the minimum wage law would apply not only to Portland employers and employees, but also to companies that are based outside of Portland and send employees to work in Portland. If a company is based outside of Portland, it would have to pay \$15 to hourly workers while they are working inside the city. Portland-based companies would also need to pay \$15 an hour for a worker who's sent outside the city, as long as that employee "primarily or substantially" works inside the city limits.

That language adds uncertainty to the law, said David Webbert of the law firm Johnson, Webbert & Young,

which specializes in employment issues. He said “primarily” has been defined as 50 percent-plus. But “substantially” is less clear, Webbert said, so opponents may turn to the courts for a definition.

And enforcing the wage laws, which normally falls on the Maine Department of Labor, would now be a task given to the city manager, under both the City Council’s wage plan and the referendum. City spokeswoman Jessica Grondin said the city isn’t planning to hire a wage investigator, although that could change if there are widespread allegations that employers aren’t paying their workers properly.

The law would also have a big impact on restaurants and tipped workers, a subject that tied up the council when it tackled the city’s minimum wage law over the summer.

Currently, tipped workers earn a minimum of \$3.75 an hour from their employer, with the rest of their \$7.50 hourly wage to come from tips. If the workers don’t earn enough in tips to reach minimum wage, the restaurant has to make up the difference.

In initially adopting the \$10.10 minimum wage, the council doubled the base wage that restaurants had to pay servers, but then rolled it back – employers will still have to make up the difference if servers don’t make enough in tips to earn \$10.10 an hour.

The ballot proposal would raise the amount employers would have to pay servers to \$11.25 an hour and make them responsible for the difference between that and \$15 an hour if tips don’t cover the gap.

Steve DiMillo, whose family owns DiMillo’s on the Water, said that could force him and other restaurant owners to change the way they operate, possibly going to a more casual dining atmosphere in order to hire fewer servers. Others have said they may raise prices to cover higher wages and discourage tipping as a way to offset the higher prices. Still others are considering using technology so that tablets and table-mounted monitors receive patrons’ orders directly, reducing the need for wait staff.

## **SOME UNLIKELY OPPONENTS**

The size of the increase has brought out unlikely opponents, including Jim Wellehan, the owner of Lamey-Wellehan Shoe Stores, and one of the first signers of a Maine People’s Alliance effort to get a statewide minimum wage increase on the ballot next fall.

That statewide measure would raise the minimum wage in annual steps, culminating with a \$12-an-hour minimum in 2020.

Wellehan said many of his workers already earn \$15 an hour, but that wage is built on incentives for taking classes, like one called “retail pedorthics,” which trains salespeople to help customers with foot problems. He said his goal is to make his shoe stores more of a full-service stop for people looking not only for shoes, but help with foot problems. Starting everyone at \$15 an hour would give workers little reason to take extra classes, Wellehan said, as well as create headaches for business owners who have some workers in Portland and others outside the city.

But Wellehan said that his opposition to a \$15-an-hour minimum doesn’t blind him to the need for change in pay scales and to address income inequality.

“I would love to have a \$20 minimum wage around the world,” he said. “We need a minimum wage that’s higher and a maximum wage that’s lower.”